

Message Text

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ACTION EB-07

INFO OCT-01 EA-09 NEA-10 ISO-00 AGRE-00 CEA-01 CIAE-00
COME-00 DODE-00 FRB-01 H-02 INR-07 INT-05 L-03 LAB-04
NSAE-00 NSC-05 PA-02 AID-05 CIEP-02 SS-15 STR-04
ITC-01 TRSE-00 USIA-15 PRS-01 SP-02 FEAE-00 OMB-01
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R 171121Z DEC 76
FM AMEMBASSY COLOMBO
TO SECSTATE WASHDC 6360
INFO AMCONSUL HONG KONG
AMEMBASSY KUALA LUMPUR
AMEMBASSY NEW DELHI
USLO PEKING
AMEMBASSY RANGOON
AMEMBASSY SINGAPORE

UNCLAS COLOMBO 4620

E.O. 11652:N/A

TAGS: ETRD, PFOR, CE, CH

SUBJECT: SINO-SRI LANKA TRADE PROTOCOL FOR 1977

REF: (A) COLOMBO 4378, (B) COLOMBO 3857

1. SUMMARY: ON DECEMBER 15, PEOPLE'S REPUBLIC OF CHINA (PRC) AND GOVERNMENT OF SRI LANKA (GSL) SIGNED 25TH TRADE PROTOCOL FOR BARTER OF 200,000 METRIC TONS OF PRC (AND BURMESE) RICE IN EXCHANGE FOR APPROXIMATELY 49,200 MT OF SRI LANKAN RUBBER. END SUMMARY.

2. FOLLOWING TWOWEEKS OF HARD NEGOTIATIONS, PRC VICE-MINISTER OF FOREIGN TRADE CHAI SHU-FAN AND GSL MINISTRY OF PLANNING AND ECONOMIC AFFAIRS SECRETARY JAYANTHA KELEGAMA SIGNED 1977 TRADE PROTOCOL ON DECEMBER 15. IN ADDITION TO RICE-MINISTER, PRC NEGOTIATING TEAM INCLUDED AMBASSADOR
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TO SRI LANKA JUANG MING-TA, DIRECTOR OF MINISTRY OF FOREIGN TRADE HSI YEH-SHENG, DEPUTY MINISTER AM CHI-TA, AND EMBASSY COMMERCIAL COUNSELLOR WANG PANG-PING.

3. UNDER FIRST PART OF PROTOCOL, SRI LANKA WILL RECEIVE 200,000 MT OF RICE (SRI LANKA HAS ALREADY RECEIVED

ADVANCE OF 40,000 MT) IN EXCHANGE FOR APPROXIMATELY 49,200 T OF SHEET RUBBER. AMOUNT OF RICE IS SAME AS IN THIS YEAR'S PROTOCOL BUT, DUE TO DECLINE IN WORLD RICE PRICES AND INCREASE IN PRICE OF RUBBER, VOLUME OF RUBBER ADJUSTED DOWNWARD FROM 67,000 MT INDICATED IN 1976 PROTOCOL. PRICE OF RICE WAS MAJOR POINT OF NEGOTIATION AND HAS BEEN TENTATIVELY FIXED AT US \$ 196.84 PER MT FOB PENDING COMPLETION OF PRC NEGOTIATIONS WITH BURMA TO SUPPLY HALF OF SPECIFIED AMOUNT OF RICE. AS BURMA RECENTLY QUOTED FOOD COMMISSIONER US \$200 PER MT FOR SAME QUALITY RICE, PROTOCOL PRICES APPEAR TO BE PRC CONCESSION OF APPROXIMATELY US \$ 3 PER MT. PRICE OF RUBBER DURING YEAR TO BE BASED ON MONTHLY AVERAGE SINGAPORE MARKET PRICE; GIVEN ABOVE NUMBERS, US \$ 800 PER MT APPARENTLY USED AS ESTIMATED RUBBER PRICE. SECRETARY KELEGAMA TOLD EMBOFF THAT QUANTITY AND PRICE OF RICE FIXED, BUT AMOUNT OF RUBBER MENTIONED IN PROTOCOL IS ONLY INDICATIVE AND WILL BE ADJUSTED IF SINGAPORE PRICE CHANGES (I.E. QUANTITY OF RUBBER SUPPLIED WOULD GO DOWN IF PRICES GO UP, AND VICE VERSA).

4. TOTAL OF 240,000 MT OF RICE PROVIDED BY PRC IN 1976 (INCLUDING 40,000 MT ADVANCE) SUPPLIED OVER HALF OF SRI LANKA'S RICE IMPORT NEEDS. PROSPECTS FOR SRI LANKA'S RICE CROP NEXT YEAR VERY GOOD (REFTEL A), AND SOME GSL OFFICIALS NOW FORECASTING OUTPUT AS HIGH AS 90 MILLION BUSHLS OF PADDY IN 1977 (EQUVALENT TO ABOUT 1.2 MILLION MT OF MILLED RICE.) WHILE MOST EXPERTS SAY 110 MILLION BUSHEL OF PADDY (ABOUT 1.5 UNCLASSIFIED

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MILLION MT OF RICE) REQUIRED FOR SELF-SUFFICIENCY, ANNUAL PRODUCTION PLUS IMPORTS OF RICE HAVE AVERAGED ONLY ABOUT 1.2 MILLION MT IN 1975 AND 1976. DIFFERENCE APPARENTLY MADE-UP BY MARKED INCREASE IN CONSUMPTION OF IMPORTED WHEAT FLOUR. THUS, IF VERY OPTIMISTIC PREDICTIONS FOR NEXT YEAR'S PADDY CROP COME TO PASS, 160,000 MT OF PRC RICE COULD FULFILL ALL OF SRI LANKA'S RICE IMPORT REQUIREMENTS IN 1976.

5. IN ADDITION TO RICE AND RUBBER, EACH COUNTRY SUBMITTED LIST OF PRODUCTS TO BE INCORPORATED IN SECOND SCHEDULE OF PROTOCOL. ALTHOUGH THERE IS NO SPECIFIC COMMITMENTS TO PURCHASE, EACH COUNTRY AGREED TO MAKE EVERY EFFORT TO BUY ITEMS LISTED FROM OTHER COUNTRY. LIST OF SRI LANKAN COMMODITIES INCLUDES COCONUT PRODUCTS, GEMS, SPICES, COCOA PRODUCTS, AND SOAP. PRC OFFERING COTTON, YARN, CHEMICALS, TRANSPORT EQUIPMENT, AND CARDBOARD.

6. PROTOCOL FOR 1977 IS 25TH BETWEEN PRC AND SRI
LANKA. PRC HAS DISPLACED UNITED KINGDOM AS SRI
LANKA'S LARGEST TRADE PARTNER AND IN 1975 ACCOUNTED
FOR 11.5 PERCENT OF SRI LANKA'S EXPORTS AND 12.7
PERCENT OF IMPORTS. RUBBER/RICE BARTER REPRESENTED
OVER HALF OF TOTAL TRADE VALUE BETWEEN PRC AND SRI
LANKA IN 1975.
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